

67-1387

FILE

Personnel 11-2

27 MAR 1969

MEMORANDUM FOR THE RECORD

SUBJECT: Visit to Scudder, Stevens and Clarke

1. On 26 March, together with Messrs. [redacted] I visited the Boston office of Scudder, Stevens and Clarke concerning possible arrangements in support of the Agency's proposed voluntary thrift supplementary retirement plan. We discussed the various matters with Messrs. Peabody and Cabot of SS&C.

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2. The following information was gleaned:

a. Mutual Funds vs. Managed Portfolio.

Most of SS&C's business comes from portfolio management, mutual funds are a minor factor of their business. SS&C has some preference for portfolio management over mutual funds on the grounds of moderately lower management costs. They do, however, have a family of mutual funds and would regard these as a legitimate vehicle for our employees' savings.

b. Scudder, Stevens and Clarke Funds.

Scudder has, primarily, three mutual funds (apart from DUO-VEST, the highly specialist fund listed on the New York Stock Exchange). There are Scudder Special Fund, which has performed very well in recent years; Scudder Common Stock Fund, which has performed about the same as the stock market as a whole over the past eight years, and Scudder Balanced Fund, which has been losing ground because of its high content of bonds.

Scudder Special Fund is managed by two people who are, respectively, 65 and 59 years of age. It has made money primarily by buying the stock of small, unseasoned companies with reasonable growth prospects. Only 2.7 percent of the portfolio are in letter stocks.

Scudder funds are no-load.

2. The general impression one has of SS&C is of a highly conservative management, which is still strongly concerned with safety of capital rather than growth. The representatives we talked to seemed to feel that fund performance equal to the Dow-Jones average is not bad. Since funds are essentially a sideline, and since portfolio management results are largely hidden from public view, it is difficult to get an overall view of performance.

3. The conservative atmosphere of SS&C is probably a reflection of its position as the oldest and largest of the investment counsel firms. It is a large group for its business -- about 550 people, with 40 research analysts. Its investment philosophy is the real question.

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